

**Dynamic Games and Contracts**  
**Reading List Part I**

Further readings for the last part of the course will be developed in response to student interests.

Items marked with a star (\*) are assigned reading.

**I. Static Multi-Agent Mechanism Design**

**A. Basic Tools**

Baron, D. and R. Myerson (1982), "Regulating a Monopolist with Unknown Costs," *Econometrica*. July.

Laffont, J-J and J. Tirole (1993), *A Theory of Procurement and Incentives in Regulation*, Chapter 2.

Mas-Colell, Whinston, & Green, Chapter 13.

d'Aspremont, C. and L. Gerard-Varet (1979), "Incentives and Incomplete Information," *Journal of Public Economics*, 11: 24-45.

Fudenberg, D. and J. Tirole (1991), Chapter 7.

\*Mas-Colell, Whinston, & Green, Chapter 23.

McAfee, R.P. (1992), "Correlated Information and Mechanism Design," *Econometrica*, 60 (2): 395-421.

**B. Independent Private Values Auctions, Revenue Equivalence, and Optimal Auctions**

\*Bulow, J. and J. Roberts, (1989), "The Simple Economics of Optimal Auctions," *Journal of Political Economy*, 97(5): 1060-1090.

McAfee, R.P. and J. McMillan (1987), "Auctions and Bidding", *Journal of Economic Literature*, XXV, pp. 699-738.

\*Myerson, R. (1981), "Optimal Auction Design," *Mathematics of Operations Research*, 6: 58-73.

**C. Trading Mechanisms**

\*Myerson, Roger and M. Satterthwaite (1983), "Efficient Mechanisms for Bilateral Trading," *Journal of Economic Theory*, 29: 265-281.

**D. Common Value Auctions**

\*Milgrom, P. and R. Weber, "A Theory of Auctions and Competitive Bidding," *Econometrica*, 1982, 50, 1089-1122.

**II. Dynamic Games with Asymmetric Information**

**A. Basic Tools**

Abreu, D., D. Pearce, and E. Stacchetti, "Optimal Cartel Equilibria with Imperfect Monitoring," *Journal of Economic Theory* v39, n1 (June 1986): 251-69.

\*Abreu, D., D. Pearce, and E. Stacchetti, "Toward a Theory of Discounted Repeated Games with Imperfect Monitoring," *Econometrica* v58, n5 (September 1990): 1041-63.

\*Athey, S. and I. Segal, "An Efficient Dynamic Mechanism," working paper, Harvard.

\*Fudenberg, D., D. Levine, and E. Maskin, "The Folk Theorem with Imperfect Public Information," *Econometrica* v62, n5 (September 1994): 997-1039.

D. Miller

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**B. Relational Contracting and Repeated Trade**

\*Levin, J., "Relational Incentive Contracts," Stanford Working Paper 01-002, Revised 2001.

<http://www.stanford.edu/~jdlevin/Papers/RIC.pdf>

\*Rayo, L., "Relational Team Incentives and Ownership," Mimeo, Stanford University, 2001.

<http://www.econtheory.org/ojs/index.php/te/article/viewFile/20070299/1342>

\*Athey, S. and D. Miller, "Efficiency in repeated trade with hidden valuations," *Theoretical Economics*, 2 (2007), 299-354.

**C. Small Numbers of Agents**

\*Athey, S. and K. Bagwell, "Optimal Collusion with Private Information," *RAND Journal of Economics*, Autumn 2001.

\*Athey, S., K. Bagwell, and C. Sanchirico, "Collusion and Price Rigidity," 1998, MIT Working Paper 98-23. <http://www.stanford.edu/~athey/absrev1f.pdf>

Wang, C., "Dynamic Insurance with Private Information and Balanced Budgets," *Review of Economic Studies*, 62.4, October 1995, pp. 577-95.

**D. Repeated Games with Persistent Private Information**

\*Athey, S. and K. Bagwell, "Collusion with Persistent Private Information," Mimeo, Stanford, 2002.

Cole, H. and N. Kocherlakota, "Efficient Allocations with Hidden Income and Hidden Storage," *Review of Economic Studies*, 68 (2001), 523-42.

\*Cole, H. and N. Kocherlakota, "Dynamic Games with Hidden Actions and Hidden States," *Journal of Economic Theory* 98 (2001), 114-26.

\*Fernandes, A. and C. Phelan, "A Recursive Formulation for Repeated Agency with History Dependence," *Journal of Economic Theory*, Vol. 19, No. 2, April 2000, pp. 223-247.

<http://woodrow.mpls.frb.fed.us/research/sr/sr259.pdf>

Werning, I., "Repeated Moral Hazard with Unmonitored Wealth: A Recursive First-Order Approach," Working Paper, Chicago, 2001.

Werning, I., "Optimal Unemployment Insurance with Unobservable Wealth," Working Paper, Chicago, 2001.

**E. Policy Games**

\*Athey, S., A. Atkeson, and P. Kehoe, "On the Optimality of Transparent Monetary Policy," Mimeo, Minneapolis Federal Reserve Bank, 2001.

\*Chari, V. V., P. Kehoe, and E. Prescott, "Time Consistency and Policy," *Modern Business Cycle Theory* (1989, pp. 265-305). <http://minneapolisfed.org/research/sr/sr115.html>

Chari, V. V. and P. Kehoe, "Sustainable Plans and Debt," *Journal of Economic Theory*, 1993, vol. 61, pp. 230-260.

Chari, V. V. and P. Kehoe, "Sustainable Plans and Mutual Default," *Review of Economic Studies* Vol 60, 1993, pp. 175-195.

Chari, V. V. and P. Kehoe, "Optimal Fiscal and Monetary Policy," *Handbook of Monetary Economics*, Vol 1., edited by John Taylor and Michael Woodford, 1999.

Phelan, C. and E. Stacchetti, "Sequential Equilibria in a Ramsey Tax Model," Minneapolis Federal Reserve Bank Staff Report 258. Forthcoming, *Econometrica*.  
[http://woodrow.mpls.frb.fed.us/research/sr/sr258\\_1.pdf](http://woodrow.mpls.frb.fed.us/research/sr/sr258_1.pdf)

#### **F. Private Monitoring**

Cole, H. and N. Kocherlakota, "Finite Memory and Imperfect Monitoring," Minneapolis Federal Reserve Bank Staff Report 287, 2001. <http://woodrow.mpls.frb.fed.us/research/sr/sr287.pdf>

Compte, O., "Communication in Repeated Games with Private Monitoring," *Econometrica*, 1998, 66: 597-626.

Kandori, M. and H. Matshushima, "Private Observation, Communication and Collusion," *Econometrica*, 1998, 66: 627-652.

\*Mailath, G. and S. Morris, "Repeated Games with Almost-Perfect Monitoring," Working Paper, Yale University. <http://www.econ.yale.edu/~sm326/almost-pub.pdf>